Levi, Leone

On the Bank Charter, and other laws regulating...

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THE BANK CHARTER,

AND OTHER

LAWS REGULATING THE CURRENCY.

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THE substance of the following Paper was read in the shape of a Lecture before several Chambers of Commerce in the United Kingdom. The importance of the subject, and the want of information generally expressed, have suggested the publication of the Paper in a more permanent form; whilst, acting as Metropolitan Agent to the Chambers of Commerce, the Author trusts it may assist them in arriving at some conclusions in discussing the difficult questions of the Bank Charter and Currency Laws.

L. L.

12, THE COLLEGE, DOCTORS' COMMONS,
LONDON, *February* 1856.

THE BANK CHARTER

AND OTHER

LAWS REGULATING THE CURRENCY.

The Chambers of Commerce of the United Kingdom, representing the trading, commercial, and banking interests, will soon be called upon to reconsider the whole of the subjects involved in the renewal or abrogation of the Acts which conferred the Bank Charter, and regulated the Currency. There is scarcely a question of greater magnitude, scarcely one of more momentous importance, and none, certainly, which demands more serious, unremitting, and anxious deliberation, on the part of the mercantile community, than that of our monetary institutions. Too often has the consideration of them been left with those only who are dealing in money; yet banking and commerce are closely connected, and there is not a merchant or trader who does not feel the influence of the money market. It is, therefore, the especial function of those bodies, which are formed to watch over the interests of the mercantile community, to be the exponent of their wants, in these respects, and to embody them in their representations to our Legislative assemblies, and our Executive power. That the action of the Chambers of Commerce be deliberately, timeously, and judiciously applied, is, doubtless, of the highest importance; that their voice be not discordant, and their opinions not conflicting, is the more necessary, in order that, with weight and influence, they may call upon the Legislature to take such steps on the subject as are urgently required, for the common good.

Perhaps, at no former period, the financial condition of the country exhibited so many points of intense interest as at present. An immensely increased commerce; large and continued calls for railway purposes at home and abroad; a national expenditure, greater

than, perhaps, at any former period; extensive loans by the British and Foreign Governments, for war purposes; together with a considerable rise in the price of food, and in wages, have swelled, to an enormous degree, the amount and multiplicity of common exchanges, and have caused the want of a much larger amount of circulating medium, both metallic and conventional, which would be severely felt, were it not for some attenuating circumstances now in operation. Foremost among these is the providential discovery of gold mines in California and Australia, which alone, in the last three years, furnished nearly L.30,000,000 annually;[1] nevertheless, with regard to these discoveries, it must be remembered, that, just in proportion as the supplies of gold have increased, so the demand for it has greatly augmented, both on account of its having replaced silver and other currencies[2] in many countries, and also owing to the fact, that gold finds its way into places, and among communities, heretofore altogether strangers to its uses. Whilst the gold discoveries have considerably increased the amount of metallic currency, a much greater benefit is derived from the methods pursued for economizing the amount of circulating medium. The Clearing-House in London, and the exchange of notes among bankers throughout the country; the increased number of banking accounts; the improved communication by land and by sea; and the facilities now afforded for the easy realization of commercal transactions, and for the convenient transmission of capital—these circumstances have all a considerable bearing in reducing the amount of currency required. Interests of the greatest magnitude are involved in the subject under discussion; and it is of the highest im-

[1] The production of gold was estimated as follows:—

	1800.	1848.	1852.
From all sources, except California and Australia,	L.3,260,000	L.9,910,000	L.9,400,000
California, ...			12,500,000
Australia, ...			14,400,000
	L.3,260,000	L.9,910,000	L.36,300,000

[2] The amount of gold coined in the United Kingdom, United States, and France, was as follows:—

	United Kingdom.	United States.	France.
1848 . .	L.2,452,000	179,000	No Return.
1849 . .	2,178,000	1,415,000	1,090,000
1850 . .	1,492,000	7,388,000	4,600,000
1851 . .	4,400,000	10,626,000	9,640,000
1852 . .	8,742,000	10,803,000	10,400,000
1853 . .	11,952,391	No Return.	13,200,000
1854 . .	4,152,000	No Return.	20,480,000

portance that the laws which regulate our finances, should be based on large and sound principles.

Nearly sixty years have elapsed since the enormous expenditure, caused by the French war, paralyzed our finances, and emptied the bank coffers. The year 1797 is one of the most memorable in the annals of the Bank of England, as the year when its treasure having dwindled to L.1,272,000, authority was given to it to suspend cash payment. But the temporary alarm thereby caused was soon allayed; and, with cautious management, the Bank not only maintained undiminished confidence, but found its issue valued on a par with gold, and even bearing a small premium.

Matters, however, did not go on thus auspiciously. The market price of gold bullion rose from L.3, 17s. 10½d. per ounce in 1810, to L.5, 4s. 1d. in 1814, and fell again to L.3, 17s. 10d. in 1821; and during these oscillations, Bank of England notes bore a different proportion in value to gold, from ten to fourteen per cent. We shall not dwell on the inquiry, how far this difference of value between notes and gold, at this eventful period, was caused by an actual depreciation of the notes, or by an increased value of gold. Although a sovereign easily commanded L.1 note, and 5s. or 6s. silver, it cannot be said that the slightest apprehension with respect to the Bank was ever manifested. Two causes prominently contributed to this state of things, viz., the scarcity of gold bullion, and the depreciated state of the silver currency, before the reform of the coinage. However it be, public attention was anxiously directed to the subject, and the famous Bullion Committee was formed in 1810, which led to the gradual resumption of cash payment in 1820.[1]

By the Act of 1819, it was provided, that the Bank of England should pay in ingots of standard gold for notes tendered, to an amount not less than the value of sixty ounces, in 1820, at the rate of L.4, 1s. per ounce; in 1821, at the rate of L.3, 19s. 6d. per ounce; and in 1821-23, at the rate of L.3, 17s. 10½d. per ounce, and from May 1823 the current gold coin of the realm might be demanded. By the same Act, it was also prescribed, that accounts should be

[1] The Bullion Committee, in their Report, in June 1810, stated, that the price of Gold Bullion, which, by the regulation of his Majesty's Mint, is L.3, 17s. 10½d. per ounce of standard fineness, was, during the years 1806, 1807, and 1808, as high as L.4 in the market. Towards the end of 1808 it began to advance very rapidly, and continued very high during the whole year 1809; the market price of standard gold in bars fluctuating from L.4, 9s. to L.4, 12s. per ounce. The market price, at L.4, 10s., is about 15½ per cent above the mint price.

given by the Bank of England of the average amount of notes in circulation, and acknowledging gold and silver to be commodities, they were allowed to be imported and exported. But scarcely had the resumption of cash payment been enacted, than under the influence of a variety of circumstances, confidence again diminished; years of speculation came on, and with them enormous failures and distress. The panic of 1825 forms an era in the commercial history, and bankers were not exempted from the common wreck. In six weeks as many as seventy banks were destroyed.[1]

That some bankers, at this period, may have issued a larger amount of notes than prudence and duty might have dictated, and that thereby they may have given encouragement to a frantic spirit of speculation, we shall not question, although the *total* circulation of the country bankers was by no means larger than usual. But, in banking as in commerce, there are periods of overtrading, as well as individuals overstepping the limits of prudence. After seasons of perfect stagnation there are always seasons of prosperity, new avenues of trade are opened up, new inlets for human avidity to seize: then it is that sanguine expectations are formed, and a wild speculation is indulged in—and then panics. Who does not know the meaning of that word, so destructive to commercial prosperity, so replete with injurious consequences to nations as well as to individuals? "The consequences of sudden alarm," said Huskisson, "cannot be measured; they baffle all ordinary calculations. Cash is then withdrawn, not because the circulation is excessive, but by the country banks and town bankers, for the purpose of meeting possible demands upon them, and by the community at large, either directly from the banks, or indirectly, through the former channels, for the purpose of hoarding, from the dread of some imaginary or contingent danger. In such a crisis, every reduction in the amount of bank paper, is so far from checking the drain, that it aggravates the general distress, because the gold which is taken out of the bank, instead of being substituted in circulation for the notes withdrawn from it, is, for the most part, locked up; and thus, in proportion as the stagnant and straitened circulation wants life and aid, it becomes every day more embarrassed, whilst each new calamity produced by such a state of things contributes to spread and increase the general apprehension."

[1] Number of Commissions of Bankrupt issued against country banks:—

1814—27.	1819—13.	1823— 9.	1827— 8.
1815—25.	1820— 4.	1824—10.	1828— 3.
1816—37.	1821—10.	1825—37.	1829— 3.
1817— 3.	1822— 9.	1826—43.	1830—14.
1818— 3.			

In consequence of the distress and alarm produced by the panic of 1825, a new system of legislation began to be introduced. Attributing the crisis to an over-issue of notes (which, however, was mainly produced by some forced operations of the Government and the Bank of England), a sudden restriction was put to the issue, and all notes under L.5, which had been issued by the Bank of England and country banks since 1797, were withdrawn, and ceased to be issued after the year 1829. Nor was this prohibition of small moment, when we consider the proportion such notes bore to the total circulation. Taking the years 1820 and 1821, the circulation was as follows:—

		Total Amount Stamped.	Amount Stamped under L.5.	Proportion per Cent.
Bank of England,	1820,	L.23,484,110	L.6,689,131	28·49
Country Banks,	1820,	3,503,901	1,728,186	49·32
Bank of England,	1821,	23,884,920	6,437,560	26·95
Country Banks,	1821,	4,438,548	2,254,983	50·80

The practical utility of small notes is to this day fully experienced both in Scotland and Ireland, where, during the four weeks ending 1st September 1855, they were issued as follows:—

	Total Circulation.	Amount Stamped under L.5.	Proportion per Cent.
Scotland,	L.3,963,853	L.2,557,885	64·53
Ireland,	5,594,562	2,754,800	49·20

The abolition of notes under L.5 was, however, but the commencement of the measures intended to strengthen the basis of the country banking system in England. The Act then in force, limiting the number of partners in Banks of Issue, was repealed, except within the circle of sixty-five miles round London. And the Bank of England formed branches in the principal towns, such as Liverpool, Manchester, Bristol, Hull, Leeds, Newcastle, etc. But even these measures did not prevent the occurrence of another speculation mania in 1836–37, and that became the signal for further legislative restrictions. Taking advantage of a clause in the Bank Charter, granted in 1833, which gave to Parliament power to revise or to cancel it in 1845, Sir Robert Peel now introduced his measures, having in view to put the entire circulation of the United Kingdom under the control of the Legislature. The promoters of

this measure hoped, indeed, to have thereby established the monetary institutions of the country on a safe and firm foundation, capable to counteract all future dangers of mercantile panics.

The state of our Currency previous to the Act of 1844, was described as follows, in a recent letter by "Mercator," in the *Times*, the writer being supposed to be the framer of the measure:—"Under the system which existed before the Act of 1844, the Bank had the power of making unlimited issues; and that power only ceased when their gold was absolutely exhausted. This being the case, a drain of gold, in its earlier stages, attracted little or no attention on the part either of the public or of bankers. All went well notwithstanding; there was no consciousness of any decrease in the power of commanding bank notes; credit, confidence, speculation, remained unaffected, until the gold was reduced to a very low amount. Then arose a sudden alarm for the safety of our specie payments; every strange resource was invoked, in the last extremity, to obviate this evil; a parcel of old discarded one-pound notes was drawn from a refuse cellar in 1825; the assistance of the Bank of France was ignominiously sought in 1837: and thus the last extremity—the actual failure to pay in gold—was narrowly avoided. Meanwhile, however, panic and pressure, in the most extensive and aggravated form, spread over the whole country; and a state of alarm, distress, and confusion was generated, with which the present gradual, regulated, and wholesome pressure will bear a very favourable contrast. To prevent the recurrence of this state of things, the Bill of 1844 was passed. The uninterrupted continuance of confidence and credit during a continuous drain of gold; the expansion of banking accommodation, in the face of decreasing treasure, the only safe measure of that accommodation; the exhaustion of the bullion reserve, unaccompanied by any protective measure; the imminent danger of final insolvency by the Bank; the discreditable expedients necessary to obviate this danger; the sudden, severe, and universal alarm and pressure must not be permitted again to return. *Non solum a calamitate, sed calamitatis metu, defendendum est.* Such was the wise and manly decision of the public, and for this purpose the provisions of the Bill of 1844 were resorted to."

The principal requisites of the Bank Charter Act, 7 and 8 Vict. c. 32, are the following:—First, The issue department of the Bank of England was separated from the banking department of the same.

L.14,000,000 was fixed as the amount to be issued by that department upon securities, whereof the debt due by the public to the Bank, amounting to L.11,015,000, was to form part. Any further amount of notes to be issued only in exchange for other Bank of England Notes, or for Gold coin, or for Gold and Silver Bullion, the amount of Silver Bullion never exceeding one-fourth of the Gold coin and Bullion. Power was also given to all Bullion holders to demand of the issue department Notes for Gold Bullion, at the rate of L.3, 17s. 9d. per ounce of standard gold. The amount of L.14,000,000 might be further extended, where any banker ceased to issue his own notes to the extent of three-fourths of the amount originally issued by such bankers. Certain weekly accounts were required of the amount of notes issued, and other particulars. Second, No new Banks of Issue were to be formed after the 6th May 1844. Existing Banks of Issue were to strike the average of their circulation during the twelve weeks ending the 27th April 1844, and they were never to exceed their issue beyond that amount. Where two or more banks became united, the circulation of one of them would be forfeited; and where any one Bank gave up its issue, and agreed to issue Bank of England Notes, the Bank can issue notes only to the extent of two-thirds of the issue of the bank whose notes are withdrawn.

A similar measure was also passed in 1845, to regulate the issue of bank notes in Scotland, by the 8 and 9 Vict. c. 38, and, in Ireland, by the 8 and 9 Vict. c. 97, with the following points of difference: The English banks are not, under any circumstance, allowed to exceed their fixed limit; the Scotch and Irish banks may do so, provided they hold in their coffers, at the head office, an amount of gold and silver equal to such excess. In England, notes under L.5 are prohibited to be issued; in Scotland and Ireland they are permitted. In case of the union between two bankers in Scotland and Ireland, the united bank is allowed to issue to the amount of the two circulations added together; in England, the circulation of one is forfeited. If any bank gives up its issue, and agrees to issue Bank of Scotland Notes in Scotland, or Bank of Ireland Notes in Ireland, the Bank of Scotland or the Bank of Ireland may increase its authorized issue to the full amount of the issue of the bank whose notes are withdrawn, whilst, in England, the bank can issue to the extent of two-thirds only.

The issue, as regulated by such Acts, stands now as follows:—

The fixed Issue of the Bank of England,	-	L.14,000,000
Do.	of 165 Private Banks in England and Wales, - -	4,607,455
Do.	of 65 Joint-Stock Banks in England and Wales, -	3,325,857
Do.	of Banks in Scotland, -	3,087,209
Do.	of Banks in Ireland, -	6,354,494
Total fixed Issue of Banks in the United Kingdom, on the 2d November 1854,[1] -	-	L.31,375,015

From the brief analysis given of these Acts, it will appear that the real intentions of the Legislature were—1st, That the power of issuing notes should be controlled; 2d, That the same should expand or contract with the increase or decrease of the Bullion; and 3d, That the power of issuing notes by the banks should be restricted. In order the more clearly to understand the grounds upon which measures of such extreme importance were founded, it may be useful to recapitulate the propositions laid down by those who defended or opposed the Bill, and to place them in juxtaposition. We are now better able to judge of the wisdom and utility of these Acts, as we possess the experience of ten years—perhaps the most remarkable and instructive in the commercial history of the United Kingdom. Prominent among those who advocated such restrictive Acts, were Lord Overstone (then Jones Lloyd), Colonel Torrens, and Sir Robert Peel. Their views, collected from their speeches and writings, were as follows:[2]—

[1] It is worthy of being noted, that the circulation of country bankers thus fixed by the average of the twelve weeks ending the 27th April 1844, proved to be below the circulation of previous years, and has since greatly diminished in England and Wales. The circulation by private banks, and joint stock banks, in the United Kingdom, was as follows:—

Month Ended.	England and Wales. Private Banks.	England and Wales. Joint Stock Banks	Scotland Chartered, Private, and Joint Stock Banks.	Ireland. Private and Joint Stock Banks.
September 1840 .	L.6,321,041	L.3,652,057	L.3,248,968	L.2,133,223
„ 1841	5,768,136	3,311,941	3,092,549	1,929,906
„ 1842	5,098,259	2,819,749	2,648,549	1,663,012
„ 1843	4,288,180	3,763,302	2,659,176	1,699,146
„ 1844	4,338,569	3,158,290	2,940,456	2,052,262
„ 1845	4,358,253	3,142,142	3,341,397	2,547,130
„ 1854	3,485,046	2,853,968	3,867,441	2,708,286

[2] The above propositions were collected by Mr Danson in an able paper read before the Statistical Society of London.

1st, That the amount of the circulating medium in the hands of the public may be greater or less than is properly required for the transactions of the current business of the community, and that when greater, it tends by the excess to make the use of the circulating medium too cheap.

2d, That as the value of all other commodities is measured by that of the circulating medium, prices, or the nominal expressions of their value, are at such periods enhanced.

3d, That such enhancement, by reducing exports and stimulating imports, turns the foreign exchanges against us, and leads to a drain of Bullion.

4th, That if on the other hand the amount of the circulating medium be reduced below that properly required for the time, a contrary effect will ensue, producing favourable exchanges, and an influx of Bullion.

5th, That one principal cause, and that which has heretofore been the most common in this country, of an undue expansion of the circulating medium, is the putting or keeping in circulation, by their issuers, of too large an amount of bank notes payable on demand.

6th, That the issuers of such notes can regulate at will the amount of them in circulation, and

7th, That if the bank notes in circulation be kept in strict proportion to the Bullion in the hands of their issuers, the amount of the circulating medium will be prevented from becoming greater than it should be, and the mischief held to arise from its becoming so will be averted.

Against these views we shall place the following counter propositions, collected from the writings of Mr Tooke and Mr Fullarton:—

1st, That no greater amount of the circulating medium, whether in coin or notes, is ever in actual use, or, therefore in circulation, than is required by the current transactions of the community, for that so much of it as there is no present use for goes either into hoards, or into bankers' deposits. That if hoarded, it ceases to have any effect as circulating medium; and that if deposited with bankers, it can only pass again into use *at interest*, which interest will only be paid by those who have a profitable use for it.

2d, That while a large portion of the circulating medium is dependent solely upon the credit of the issuers, its extension can in fact only be limited by the state of that credit on the one hand, and

by the aggregate demand of those who are willing to pay for its use on the other.

3d, That while there is a large fund of deposit in every part of the country payable on demand, an issuing banker cannot affect the aggregate amount of the circulating medium, by issuing or withdrawing his notes.

4th, That the amount of bank notes in circulation, representing only one portion of the circulating medium, through the agency of their credit with the public, a restriction upon the amount of the addition so made must be ineffectual, unless it be accompanied by a like restriction on such of their other operations as have the same, or a similar effect; and that, therefore, the omission of any regard to deposit, and their effects in supplying readily and extensively the place of a portion of the circulating medium of this country, must render the restriction now placed upon the bank notes in circulation, ineffectual to limit the amount of the circulating medium, whenever it shall become practically inconvenient either to bankers, or to the public.

5th, That the true measure of the voluntary addition made by a banker to the amount of the circulating medium, is found, not in the amount of his notes in circulation, but in the terms upon which he makes advances, or in other words, upon the price he charges for the use of so much of the circulating medium as he happens to command, either by the actual possession of money, or by his credit; and

6th, That any attempt to control the issuing banker by law, in the management of this branch of his business, would be in fact an attempt to fix the price of the use of money, or of credit held sufficient to represent money; which, like all other prices, is, and must continue to be, governed by influences wholly beyond the control of the Legislature.

We shall now direct our attention to the various provisions of the Bank Charter Acts, and endeavour to ascertain the working of them as regards the general interests of the commercial community, the country bankers and the Bank of England. Before doing so, however, let us consider the altered state of our commerce since 1844. The Acts in question have, as it has already been stated, established a limit in the circulation of bank notes, beyond which it could never exceed. But the circulation of 1844 was only proportioned to existing wants, whilst, since that period a considerable augmentation has taken place in the resources and commerce of the country. Taking

some few leading branches of trade, the years 1844 and 1854 exhibit some striking contrasts. In our imports we have—

	1844.	1854.
Cocoa, lbs.,	3,731,256	6,258,445
Coffee, lbs.,	46,523,188	66,501,672
Cotton, lbs.,	646,111,304	887,335,904
Silk, lbs.,	4,149,932	7,535,407
Rum, galls.,	3,120,010	8,585,455
Sugar, cwts.,	4,880,075	9,096,252
Tea, lbs.,	53,147,078	85,792,760
Wool, lbs.,	65,713,761	106,121,995
Grain and Meal, qrs.,	3,030,681	7,909,544

The exports of British industry and manufactures, which in 1854 were valued at L.58,534,705, in 1854 reached L.115,833,704, and the accounts of shipping show a total tonnage entered and cleared in 1844, of 10,346,769 tons, and in 1854 of 18,669,887 tons. Greater would be the proportional difference between 1844 and 1854, were we to consider the principal manufacturing and shipping ports separately, such as Liverpool, Glasgow, Belfast, Manchester, Leeds, Bradford, and many other places, which have trebled in commercial importance. Nevertheless, no corresponding increase is observable in their banking companies, an incongruity which cannot fail to be productive of considerable injury to traders. Upon what principle shall we stereotype the banking institutions of this country when all around us denotes constant progress! Within the ten years since the passing of Sir Robert Peel's Acts, the position of London Banking has not materially changed, except in the large development of the existing corporations. The total number of banking copartnerships in London in 1845 and 1855, are as follows:—

	Number of Partnerships.		Number of Partners.		Number of Places.	
	1845.	1855.	1845.	1855.	1845.	1855.
Private Banks,	60	59	217	205	60	59
Joint Stock Banks,	5	6	3013	4323	15	23
	65	65	3230	4528	75	82

The position of the London Joint Stock Banks during this period has, however, sensibly improved, both as respects the amount of the paid-up capital, surplus fund, and deposits. Of these the accounts in January 1845, and January 1855, were as follows:—

	1845	1856
Paid-up Capital, .	L.2,063,925	L.3,137,805
Surplus Fund, .	188,001	608,747
Deposits, . .	7,984,305	30,093,114

During 1855 three new Joint Stock Banks have been established in London. With respect to Country banks little increase is observable in the number of establishments or in the number of places where they are situated. Mr Gilbart, the learned Manager of the London and Westminster Bank, gives the following statistics of issuing and non-issuing banks, in London and Country, in 1855:—

	Non-Issuing.		Issuing.
In London, Private Banks, . .	58		100
,, Joint Stock Establishments, .	23		
	—	81	
Within 65 miles, Private Banking Establishments,	23		
,, Joint Stock Banking Establishments,	73		
	—	96	
Beyond 65 miles, Private Banking Establishments,	92		241
,, Joint Stock Banking Establishments,	86		404
	—	178	745
		355	
		745	
		1100	

The number of places that have banking establishments within 65 miles is 123, and beyond that distance 443,[1] so that, including

[1] Population of principal Towns compared with the number of Banks:—

Towns.	Population.	Banks.	Population.	Banks.
	1841.	1844.	1851.	1855.
Liverpool, . .	286,487	14	375,955	13
Manchester, .	311,269	11	401,321	10
Birmingham, .	182,922	8	232,841	8
Leeds, . .	152,074	8	172,270	5
Bristol, . .	125,146	6	137,328	6
Newcastle-upon-Tyne,	70,337	7	87,784	5
Hull, . .	67,308	7	84,690	7
Bradford, .	66,715	5	103,778	4
Sunderland, .	53,335	5	67,394	3
Preston, . .	50,887	6	69,542	5
Glasgow, . .	261,004	15	329,097	11
Edinburgh, .	164,174	12	191,221	12
Dundee, . .	64,629	6	78,931	6
Dublin, . .	232,726	11	254,850	9
Belfast, . .	75,308	5	99,660	5
Cork, . .	80,720	3	86,485	3
Limerick, . .	48,391	3	55,268	3
Total,	2,293,432	132	2,828,415	115

London, there are in England and Wales 566 places which have the advantage of 1100 banking establishments. The comparison of the population and number of banks in the principal towns, in 1845 and 1856 (as shown in the preceding page), forcibly illustrates the relative diminution of banking accommodation in the chief seats of commercial industry; and is, of itself, an evidence that the laws relating to banking have hitherto tended to preclude rather than to encourage the formation of banking establishments, and to cramp rather than to expand the energies of banking industry.

The first consideration which presents itself, as regards the working of the Bank Charter Act, is how far its interference with the circulation of bank notes is just, wise, or expedient? From the preliminary remarks we have already made, it will appear how vast is the amount of the common exchanges, and how impossible it is to determine what may be the sum of circulating medium necessary. It is, therefore, utterly groundless to presume, that by any system of legislation we may reduce the entire circulation on a metallic basis, the amount of which is certain and limited. If we consider a bank note as a promise to pay on demand, which is but a form of credit, the prohibition or restriction of one form, will only open the way for the introduction of another. If a restriction be put on the issue of promissory notes payable on demand, more bills of exchange will be issued; a contraction in the quantity of bank notes in circulation being certain to be followed by a much greater relative circulation of bills of exchange. But is there any reason why bank notes should be subjected to greater legislative restrictions than bills of exchange? A bank note is not the symbol of coin. It is a promise. "I promise," indicating a *future performance*, for which the receiver gives *credit* to the issuer. A payment in notes is like a *constructive* delivery; as the handing of a bill of lading, or a dock warrant, or the key of a warehouse. It is not an *actual* payment. In other words, there is *credit* implied. The issue of such notes by a banker to his customer, is but a debtor and creditor transaction. In their relative position, we cannot contemplate, except in cases of extravagance and imprudence, that a banker will lend notes or money to his customer without sufficient security and caution; nor that the customer will demand or take such notes, and pay interest thereon, without sufficient prospects of solid investments, nor even that such customer will give credit to the banker for the payment of such notes, without exercising circumspection and care, having regard to

the capital and management of the bank. To what purpose then, the interference? Let the banker look to his own affairs, as to the amount of promises to pay he can or will issue, to whom he will give them, at what price or interest he shall give them, and when he is best prepared to issue them. And let the customer open his eyes and use his discretion in accepting or refusing notes which he is not bound to receive.

Bank notes, or promises to pay on demand, being not money, but a form of credit, the issue of them cannot enter within the prohibition consequent on the exclusive privilege or prerogatives of the Crown in this respect. Let it be observed, that although it is commonly said that the issue of money is the prerogative of the Crown alone, the right of coining having been generally exercised by the Sovereign, yet the proper function of the State is not to issue Money, but simply to stamp, with the Royal impress, any given quantity of metals of a proper fineness, in order to avoid the necessity in all cases to try and to weigh the coin in circulation. The State thus performs an intermediate office of the greatest convenience to the community at large. Thus, in the United Kingdom, any person may take gold to the Imperial Mint, and obtain Sovereigns by the simple payment of three-halfpence per ounce, being the cost of coinage, without any seignorage. Such being the nature of the public agreement respecting coinage, all gold and silver tokens heretofore used by private individuals, have been prohibited, because they profess to be themselves a measure of value, or a payment, the real value of which had not been tested by the public authorities. It is otherwise with notes. A token supposes to carry its own value; a note, leads the individual taking it, to read the nature of the promise.

Such are the points of difference between bank notes and money, yet, practically, they are frequently received as such. The credit generally enjoyed by bankers, owing to their known large capital, and large number of partners, each having an unlimited responsibility, the facilities and convenience of such notes for circulation by the form of the paper used, the small amount, and the even sums for which the notes are issued, together with the privilege they obtain of being re-issued, and also the fact, that Bank of England notes are legal tender, all tend to give to bank notes, in general, more the aspect and character of money, than of bills of exchange, or any other forms of credit, and hence the justification for a legislative control over the circulation of them.

Besides, as compared with bills of exchange, bank notes are not customarily subjected to the same means of caution or prudence. Thus, whilst bills gain in strength and security in proportion as they circulate from hand to hand, Notes being not endorsed, preserve always the credit of the issuer only. But this is a matter of choice between the parties. Again, notes circulate among all classes, but bills are only in the hands of those engaged in business. A bill, once issued and returned, has accomplished its purpose. A note, no sooner returns to the banker, than is put again into circulation. Yet all these circumstances do not affect the real substantial nature of the document, which is neither money, nor a symbol of money, but a form of credit, like bankers cheques, promissory notes, payable at date, or bills of exchange. The legislative control over their circulation, can only be considered therefore as a measure of *protection*, and, like all such measures, it defeats its own end.

Moreover, danger is apprehended from an unlimited issue of such notes, which may have the effect of raising prices, and excite speculation. We shall not enter now into the subject of prices and value, but, under no circumstances, can an increased issue of paper operate any permanent increase of prices.

It is important, however, to observe, that although a banker might be induced to over-issue his notes, that would soon be checked. So long as the note is convertible, and indicates a promise to pay in gold on demand, the banker may expect the same to be presented to him for payment, the same day, or the day after. This is by far the most efficient restraint against an unnecessary circulation, as it imposes upon the banker the necessity to keep on hand such an amount of gold as he may think sufficient for any emergency; yet this amount will vary, according to the season of the year, the comparative ease or prosperity of trade, the state of public confidence or alarm, the credit of the issuer himself, the nature and extent of the wants of his customers, and, also, according to the habits of the town or country as to the use of gold. Moreover, bank notes may be regarded as checks on bankers, inasmuch as they are exchanged twice a week among the bankers, a kind of clearing-house being in operation in Scotland, Yorkshire, and other places, when all notes issued by each banker are mutually presented and exchanged, and the balance at once paid in Exchequer Bills, in gold, or in drafts on London bankers.

Where, however, an attempt is made to lay down general rules as to the amount of Bullion which each banker should hold, or as to other securities to be given, such an attempt will always operate injuriously, and act as a burden upon individuals or communities. Thus, as regards Scotland, where bank-notes are uniformly preferred to gold, and where, nevertheless, the Scotch bankers have been forced by Sir Robert Peel's Act to hold gold for any amount of notes issued beyond the authorised circulation, it frequently happens that cases of gold, well nailed and packed, are sent from England to Scotland, to be kept there by each banker until the excess of the authorised issue returns to him, when, without having ever opened it, the case of gold is sent back to England. It has been said that the Act of 1845 commits a double wrong. It robs England of what she most requires, and forces upon Scotland what she does not want, at an estimated loss to her banking corporations of nearly L.50,000 per annum.

It is again asked, Why should bankers issue more notes than they can possibly meet, were payment in gold absolutely demanded? The transaction, it is answered, is founded on past experience, and with a desire, on their part, to afford accommodation; and by a calculus of probabilities, the banker, in ordinary times, may safely issue, on an average, two-thirds more of notes than the amount of Gold he has on hand. Whatever view we take of the subject, it will be found that any control, in respect to the circulation of private bankers' notes, is inexpedient and unnecessary; and that the interests of the community will be best protected by allowing free course to all such operations, trusting rather to the circumspection and prudence of private individuals than to the action of the Legislature.

But even on the supposition that the interests of the community require to be protected, and that to prevent individual and public disasters, some security should be given by the issuers of notes, there is no reason why gold alone should be held a good security. The object of such security, let it be observed, cannot be to guarantee the immediate convertibility of notes into gold, but to obtain a practical pledge, which may itself, under any circumstance, be converted into money. Thus consols, lands, and any other substantial property, might perform the same office. Government funds, especially, are generally little subjected to any extraordinary oscillations in value. It would make no difference what property is thus depo-

sited, provided it be of a marketable nature, and that its value be sufficient to cover the entire amount of notes issued, notwithstanding any incidental crisis on the commodity itself. But what shall we say of the direct loss to the banker by thus locking up a certain fixed proportion of his capital in gold, or in the funds? The amount of such loss would go far to neutralize any advantage that might accrue to him from the circulation of his notes. In conclusion, with respect to this portion of our subject, I have, I trust, shown that there does not appear any valid reason why the issue of bankers' promises to pay on demand should be controlled by the Legislature, and that the attempt to restrict or to prohibit the use of such an accommodation between bankers and customers is injurious to the mercantile interests, and operates as a check to the progress of banking.

We shall now examine that portion of the Bank Charters' Act which has reference to the issue by the Bank of England. It is well known that the Bank of England itself originated in a loan of L.1,200,000, granted to the State by a Company subsequently chartered under the name of the Governor and Company of the Bank of England. From that unfortunate transaction, to this day, the Government has ever maintained the position of a borrower from a private company, and it is not until the debt, now amounting to L.11,015,000, is repaid, that the Bank Charter can be altogether withdrawn. For these L.11,015,000, besides other securities, making altogether L.14,000,000, the Bank is authorised to issue notes without any corresponding amount of gold. Before we proceed, and on the face of it, we may ask, Why is this debt not paid? Surely it is not so large but it might be readily extinguished. The answer is, It is not paid, because it affords the means of expanding our circulating medium; or, in other words, because it is found more useful to have in circulation promises to pay for that amount, on the security of the State, and that because gold and silver are not sufficient as circulating medium.

This opens another question of considerable magnitude, viz., Whether, under any circumstances, the currency of a country ought to be limited to the amount of the precious metals used as a measure of value? Let it be remembered that the precious metals have been chosen as circulating medium, not on account of their comparative scarcity, but of their beauty, usefulness, adaptation to many purposes, and because of the ease with which they are transported

from place to place, their divisibility into fractional parts, their capacity of preservation, and their steadiness of value. It is an unfortunate circumstance that these metals are not abundant, and that, on the contrary, the amount of them is very limited, and in relation to the expansive wants of mankind, they become daily more so. Hence the necessity of supplementing the precious metals with paper currency. Shall, then, such paper currency be the representative of some value or property, or shall it be purely conventional? If we keep in view that one of the principal functions of money is to act as a purchasing power, it will be found to be a necessity in the case that, whatever be the form the promise assumes, it should represent and be convertible into actual value; and, doubtless, so long as notes are issued in Pounds Sterling, they must be made convertible into gold, or other standard coins. Were it otherwise, money could only serve as an ideal unit by which to regulate other values, or it would receive its own value from the Sovereign, the same as the French Assignats, or other currencies put into circulation by the State. The problem to be solved is, therefore, how much may be added to the amount of the existing currency, and yet preserve for the entire of our circulating medium the character of a measure of value?

Numerous schemes have been suggested as intended to supply the want. Some propose that the Government, through the Bank, should become the first mortgagee on all mortgaged lands, houses, or other property, producing income in the country. Others, again, propose that legal tenders should be issued for the current year's expenses for interest, salaries, stores, and State defences, to be received back for taxes. Others, that the Government shall issue, through the Bank, notes to the amount of the interest annually paid for the National Debt, which is about L.27,000,000; and others suggest the establishment of a National Bank of Issue, to be administered by Commissioners independent of Government, but under the control of an Act of Parliament, which shall issue notes in anticipation of the quarterly sums due by the public, the Bank, moreover, receiving from the Government a like amount of Exchequer Bills as a permanent deposit.

Although much difference of opinion prevails as to the manner to be adopted for supplying the supplemental amount of circulating medium necessary, there seems to be an almost general concurrence as to the expediency of enlarging the amount beyond the

L.14,000,000 now issued by the Bank on Government Securities. But to what an extent may such an amount be increased, and yet preserve the complete convertibility of the notes into gold? In answering that question, it is well to remember that the amount of gold necessary to be kept by bankers in proportion to the notes issued, differs in times of confidence, and in times of alarm or panic. Supposing, then, that by an increased power of accommodation, say to the extent of L.20,000,000 to L.25,000,000 on the part of the National Issue, and by enlarging the power of private bankers as to the issue of bank notes, payable on demand, we prevent some of the causes of alarm, it will follow, that whilst we provide for an increased circulation in time of exigency, we will also diminish the chances of great demands of gold. Moreover, the paper circulation may be rendered better subservient to the wants of society, by the issue of notes under L.5, which would at once free a considerable amount of gold now in circulation, or hoarded, and which would otherwise increase the amount of Bullion on hand. These are remedial measures which would at once put the Bank into a state of as much safety, with a circulation increased to L.20,000,000, as it is now with L.14,000,000. We might suggest, therefore, that the sum to be issued on Government Securities should be raised to L.20,000,000 or L.25,000,000, and that a portion of that sum should be in notes under L.5. But yet such a sum cannot be anticipated to continue permanently sufficient. Ten years hence, public want may suggest a farther extension, and for such purpose a discretionary power should be lodged with the Bank, together with Commissioners entrusted with the National Issue under the control of Parliament. Doubtless, the exercise of such discretionary power is connected with more than ordinary responsibility, and it has been questioned how far it is expedient that it should be lodged with the Directors of the Bank of England. Three plans have been suggested to the Lords' Committee of 1847—a legalized authority vested in the Government; in the Government and in the Bank conjointly; and in the Bank alone. Against the first it has been objected that there is danger that all Governments are liable, more or less, to be influenced in such cases by political rather than by economical considerations; and, moreover, that the exercise of an undefined and extraordinary power, would depend too much on the personal character or the political position of the Minister for the time being. Against the second proposition, it has

been said a divided responsibility becomes frequently no responsibility at all. The third plan has been preferred by the Lords' Committee, whilst Mr G. C. Glyn suggested the introduction into the Bank Court of Commissioners, to be appointed under Act of Parliament, for a limited time, and not removable by the Government, the same not to have an absolute veto upon the proceedings of the Bank Court, but that in all cases where they dissented from the majority, their reason for that dissent should always be submitted in writing, to be laid before Parliament. It is important, moreover, to notice, that whatever may be the advantage of a metallic currency, it is much more important to allow the free expansion of industry. Hence, remedy must be provided for the present system, which causes a contraction of the circulation, in proportion as gold is exported for purposes of war, or for imports of grain, by which a double evil is at once created. The discretionary power to be granted for an increase in the amount of currency, under circumstances of exigency, might be better regulated by allowing a certain increase of circulation, in proportion as the rate of interest rises. This was virtually the principle of the Government letter of the 25th October 1847.

We must now inquire as to the channel through which Paper Currency should be issued. By the Bank Charter Act, the Issue Department was made quite distinct from the banking department of the Bank of England; and there is reason to believe that this separation has been faithfully carried out. Nevertheless, under the present constitution of the Bank, it is impossible for the two departments to be otherwise than mixed, and, indeed, identical. Yet there is much incongruity in the fact, that the issue of Paper Money, properly so called, should be managed by a private company, whose private interest may often come into conflict with public interest, and whose action, on that ground, is often liable to be misinterpreted or ill-judged. Upon principle, we might say, let that which is essentially national be carried on by persons responsible to the nation at large. Nevertheless, in as much as for a long period of time the management of the national finances has been intrusted to the Bank of England, and that, in its direction, there are persons eminently qualified, by extensive experience and long practice in business, to conduct monetary transactions on a large scale, it would seem unnecessary to form a National Bank, administered under the control of the State or the Parliament, and that it

would be better to carry out even more definitively the plan of a separate National Branch in the Bank of England, the direction of which might, perhaps, be assisted by Government Commissioners. A proper separation being accomplished from the Banking Department, and the Issue Department partaking more properly of a National character, the notes issued by it should bear the character of a National Issue, and be alone legal tender, except at the National Issue Department. The Banking Department being then put on an equal footing with any other banking corporations, its notes should no longer be privileged as at present. The effect of such an arrangement would be to render the National Issue current as legal tender throughout the United Kingdom, a matter of considerable importance, especially to Ireland, where Bank of England notes, being not legal tender, it becomes necessary for them to receive from England gold, at the expense of transport, commission, and insurance.

On the inconveniences alleged to arise from the present division of the Bank into two departments, and the consequent necessity of keeping in the banking department a certain amount of notes and coin, in reserve, we shall not enter. Considering this department in the light of a private banking establishment, we cannot object to its exercising the same amount of caution as any other bank.

Under an arrangement such as that here specified, there would be practically but one Issue Department throughout the country, and we would realize the idea of Sir Robert Peel on the subject, without thereby causing injury to private bankers, and hampering the commercial or agricultural activity of the different portions of the United Kingdom.

There remains another subject of much importance, ere we end our examination of the requisites of the Bank Charter Act,—that is, the obligation imposed on the Bank of England to give notes for all gold Bullion, at the rate of L.3, 17s. 9d. per ounce of standard gold. Here we have the Bank, which, by its Charter, is absolutely prohibited to trade, performing the business of a bullion dealer. The facility thus given to importers of bullion to monetize it at once, and at any time, and any quantity, is attended with the inconvenience of causing a larger issue of notes just when gold is imported; which again is proportionally reduced whenever, for any purposes, gold is withdrawn or exported. Although the exchange of gold Bullion for notes, at the rate of L.3, 17s. 9d. per ounce,

may cause a misapprehension, as if a fixed value was established to gold, instead of allowing it to find its own level at the market price, it may be observed, that such L.3, 17s. 9d. means only the subdivision of the ounce of gold into so many grains, an ounce of gold being coined into pieces, each of $123\frac{274}{1000}$ grains troy. Doubtless gold, as a commodity, is subject to fluctuations. The Bullion, or raw material, may be more or less plentiful, and, therefore, more or less valuable.

But, then, it is asked, by what standard shall we compare gold itself, which, on account of its comparative steadiness of value, is made to be the universal standard? The rise or fall of the value of gold, as a commodity, will be exhibited in its relative value to silver and other commodities; and as it is high or low, so we will give more or less of the specific quantities of gold coins for other quantities of different commodities. Thus, when the gold discoveries of California and Australia gave us the prospect of much increased annual supplies, the effect was to enhance the value of all other commodities, and to diminish in proportion that of gold, or, in other words, the price of gold fell. We might, perhaps, be better able to detect the oscillations in the value of gold, by introducing a national paper money, constituting, so to say, an ideal monetary standard, in relation to which gold should rise or fall like any other article; but we doubt whether sufficient advantages would be derived, whilst we would thereby reverse once more the acknowledged principles relating to all our monetary institutions. It would be of considerable benefit, however, as it has been suggested by Mr Bennoch, to establish a Bullion Office, to receive and store Bullion, against which warrants of weight might be issued, such warrants duly stamped and registered, capable of being remitted for the payment of foreign accounts. Then, Bankers requiring gold to preserve the integrity of their notes, Merchants wanting it for remittances abroad, and Contractors wanting it for foreign loans, would severally purchase in the Bullion market the supply of their wants, just as they would procure any other commodities.

These observations on the most important provisions of the Bank Charter Act, regulating the issue of bank notes, may, it is hoped, assist the Chambers of Commerce and the Legislature in the discussion which may take place on the renewal of the Bank Charter of 1833 and 1844. It may be opportune, also, here to recall the circumstances of 1847, when, under the effect of a great commercial crisis, the Legislature was compelled to suspend the operation of the Act of 1844. On that occasion, Committees of both Houses of Parliament were formed to inquire into the causes of the prevailing commercial distress. The House of Lords reported, "that they had come to the conclusion that the recent panic was materially aggravated by the operation of that Statute, and by the proceedings of the Bank itself." The Committee of the House of Commons, by a majority of two only, did not come to the same conclusions.

The result of the inquiry, as elicited from the reports of the Committee of the House of Lords, is a most conclusive evidence of the utter failure of Sir Robert Peel's Act. The report thus eloquently and concisely depicts the working of that measure:—

"To those who may have expected that the 7 and 8 Vict. c. 32, would effectually prevent a recurrence of cycles of commercial excitement and depression, the contrast between the years 1845 and 1847, must produce a grievous disappointment. To those who anticipated that the Act would put a check on improvident speculation, the disappointment cannot be less, if reliance is to be placed (as the Committee are confident it may) in the statement of the Governor of the Bank, and of other witnesses, that speculation was never carried on to such an enormous extent as in 1846 and the beginning of 1847. If the Act were relied on as a security against violent fluctuations in the value of money, the fallaciousness of such anticipation is conclusively proved by the fact, that, whilst the difference between the highest and lowest rate of discount was, in the calamitous years 1837 to 1839, but $2\frac{1}{4}$ to $2\frac{3}{4}$ per cent., the difference in 1847 rose to $6\frac{3}{4}$. If it was contemplated that the degree and extent of commercial failures would have been lessened, the deplorable narration of the Governor of the Bank recording the failure of thirty-three houses comparatively in large business in London alone, to the amount of L.8,129,000, is a conclusive reply. If the enormous extent to which the trade speculation has been carried, be considered as an evil, to which a sound system of banking could have applied a corrective, such a corrective has not been found in the Act, since the passing of which, during a period of three years, an increased railway capital of upwards of L.221,000,000, has been authorized to be raised by Parliament, and when the enormous sum of L.76,390,000, is stated, on high financial authority, to have been actually expended on railways in $2\frac{1}{2}$ years. If the power of obtain-

ing accommodation on indirect terms were considered to be promoted by the Act of 1844, it cannot be said that the important object has been obtained, since it appears on evidence, that in 1847, in addition to their interest of 9 or 10 per cent., a commission was also frequently paid, raising the charge to 10, 20, or 30 per cent., according to the time which bills had to run. The Committee are fully aware that as alternations of periods of commercial excitement and of discredit, of speculation and of collapse, are likely to arise under all systems of currency, it would be visionary to imagine that they could be averted altogether, even if the circulation were exclusively metallic. But it is on this account that greater care should be taken to avoid increasing an evil, perhaps inevitable, by any arbitrary and artificial enactments."

In connection with this subject, it may be desirable to notice also the present position of the Bank of England, in relation to the State and the public. It would be in vain to enter into any details as to the constitution and history of the Bank, which has afforded materials for voluminous narratives. The table on the following page shows the times of the successive renewals of the Charter, and the principal conditions of them :—

From this table it appears that the permanent debt due by the public to the Bank, is at present L.11,015,000, the payment of which is a condition precedent to the abrogation of the Bank Charter. This amount, which cannot but prove a barrier to the attainment of a satisfactory arrangement between the public and the Bank, ought to be gradually extinguished.

The Charter of 1833, has set, in this respect, an example, by providing for the payment of L.3,671,700, or a fourth of the debt then due, and it is desirable that the entire sum be paid as speedily as possible. The privileges enjoyed by the Bank under the Charter of 1833, and confirmed by the Act of 1844, are exclusive privileges of issuing notes payable on demand in London, and within sixty-five miles thereof; Bank of England notes to be legal tenders, except at the Bank and branch banks; exemption of stamp duties upon these notes. In its connection with the State, the Bank has the management of the Public Debt, circulates Exchequer Bills, and makes advances to Government.

With regard to the issuing of notes, should the views I have advanced be adopted, the Bank of England, in its banking capacity,

Date of Renewal.	Reign.	Redeemable upon the expiration of twelve months notice after the	Upon payment by the public to the Bank of the demands therein specified.	Other Conditions.	Permanent Debt.
1694	5 & 6 W. 3, c. 20,	1st Aug. 1705,	„	Bank advanced L.1,200,000 on annuity of L.100,000 a-year, viz., 8 per cent. interest, and L.4000 for management, - -	L.1,200,000 0 0
1697	8 & 9 W. 3, c. 20,	„ 1710,	„	Bank added to the Stock L.1,001,171 Exchequer Bills and Tallies.	
1708	7 Anne, c. 7,	„ 1732,	„	Bank advanced L.400,000 to Government, without interest, and delivered up to be cancelled L.1,775,027, 17s. 10d. Exchequer Bills, in consideration of an Annuity of £106,501, 13s., or at the rate of 6 per cent., - - -	2,175,027 17 10
1713	12 Anne 1, c. 11,	„ 1742,	„	During this period, in 1716, further advances to Government of -	2,000,000 0 0
				Purchased Annuities of South Sea Company,	4,000,000 0 0
					L.9,375,027 17 10
				From 1727 to 1738 received from public L.3,275,027, 17s. 10d., on account of permanent debt, and advanced L.3,000,000, leaving a difference of - -	275,027 17 10
				Debts due by the public in 1738, - - -	L.9,100,000 0 0
1742	15 Geo. 2, c. 13,	„ 1764,	„	New advances made at reduced interest, - -	1,600,000 0 0
				In 1745 Exchequer Bills returned up - -	986,800 0 0
1764	4 Geo. 3, c. 25,	„ 1786,	„	Bank paid into the Exchequer L.110,000 free of charges.	
1781	21 Geo. 3, c. 60,	„ 1812,	„		
1801	40 Geo. 3, c. 28.	„ 1833,	„	Advanced L.3,000,000, at 3 per cent., - -	3,000,000 0 0
1833	3 & 4 W. 4, c. 98,	„ 1855,	„	Proviso that it may be dissolved on 12 months' notice, after 1st August 1845.	
					L.14,686,800 0 0
				A fourth part of the debt due by the public to the Bank, to be paid off, -	3,671,700 0 0
				Permanent advance bearing interest at 3 per cent., - - -	L.11,015,000 0 0
1844	7 & 8 Vict., c. 32,	„ 1855,	„		

would be authorised to issue promises to pay on demand, like any other private or country banker, whilst its notes should no longer enjoy the privilege of being legal tenders. As to the present arrangement, of giving to the Bank the management of the National Debt, it is a question purely of convenience. The Bank now receives L.340 per million, on L.600,000,000 of the Public Debt; and L.300 per million on all that it exceeds that sum, exclusive of some separate allowance for annuities. From such an amount, however, the Bank makes a deduction of L.180,000, per annum in consideration of the several privileges it enjoys. The present mode of obtaining advances by Government might also be put on a better footing, as it seems incongruous that the supplies for the wants of the State should be made to depend on the resolutions of a private corporation.

In bringing these observations to a close, and with a view to indicate more perspicuously the general principles here advocated, we may conclude by saying,

That the laws which limited the circulation of promissory notes on demand, and prohibited the formation of new banks of issue, have been productive of much injury, and are not founded on any solid economical principle;

That whilst preserving the right of convertibility of bank notes into gold, there does not seem valid reason why restriction should be imposed on the issue of such notes, any more than on bills or notes payable at any period other than on demand;

That if it be expedient, for public protection, to demand security from the issuer, there is no reason why gold alone should be considered a satisfactory security, to the exclusion of consols, lands, and other property;

That an amount of L.20,000,000 to L.25,000,000 might be issued of National Notes, convertible into gold on demand, on Government securities, the issue to consist in portion of notes under L.5, with a discretionary power to increase the same in cases of urgency, at a ratio increasing with the rise of the rate of interest;

That the issue department of the Bank of England should be the medium of such national issue, under a separate management, including, perhaps, some directors deputed by Government;

That the national issue should be made legal tender in England, Scotland, and Ireland;

That it seems expedient to provide for the early extinction of the debt due by the public to the Bank of England, now amounting to L.11,015,000, and that the relation of the public to the Bank should be simplified, so as to render both independent of each other;

That it is highly desirable to provide for the complete freedom of banking in the metropolis, as well as in the country, and

That the obligation of the Bank to give notes for all gold bullion offered, should be repealed.

Propositions like these are necessarily but the skeleton of the views embodied in this paper, and are offered as contributions to the solution of these exceedingly difficult questions.

The Chambers of Commerce of the United Kingdom are in a position to bestow on them an amount of practical information which the Legislature will not be tardy in appreciating, and, it may be hoped, that this paper may have the effect of bringing together the united action of all the Chambers on the subject.

Although much difference of opinion may exist as to the best system to be introduced, much unanimity prevails as to the expediency of considerable amendment in the laws now in force. The effects of the war on our finances have been severely felt during the past year, and great fluctuations have taken place in the rate of interest and in the value of property. How far these facts have been aggravated by the working of the Bank Charter Act, should be carefully inquired into; and we trust that a Parliamentary Committee may be formed, preparatory to the introduction of measures of a comprehensive character, having in view to free the banking industry from the many trammels and artificial bonds by which it has long been entangled.

MURRAY AND GIBB, PRINTERS, EDINBURGH.

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